



MINUTES
MEETING NO. 013
MEETING OF THE POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT COMMITTEE
MONDAY, MAY 16, 2016

A MEETING OF THE INVESTMENT COMMITTEE OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT WAS HELD ON **MONDAY, MAY 16, 2016** IN THE CONFERENCE ROOM OF THE RETIREMENT SYSTEMS, ONE DETROIT CENTER, 500 WOODWARD AVENUE, 30TH FLOOR, SUITE 3000, DETROIT, MICHIGAN 48226

ROLL CALL:

CHAIRMAN **ROBERT SMITH** CALLED THE MEETING TO ORDER AT **10:00 A.M.** A QUORUM BEING PRESENT, ATTENDANCE WAS TAKEN BY RECORDING SECRETARY **JANET LENEAR** AND THE FOLLOWING COMMITTEE MEMBERS WERE PRESENT: JOSEPH BOGDAHN, MARK DIAZ, ROBERT SMITH (CHAIRMAN), REBECCA SORENSEN, GREGORY TROZAK, JOHN TUCKER AND WOODROW TYLER |

STAFF PRESENT AT ROLL CALL:

EXECUTIVE DIRECTOR CYNTHIA A. THOMAS, CHIEF INVESTMENT OFFICER RYAN C. BIGELOW AND GENERAL COUNSEL RONALD A. KING

EXCUSED:

SEAN P. NEARY, COMMITTEE MEMBER; MCCULLOUGH WILLIAMS, III, COMMITTEE MEMBER AND VICE CHAIRMAN; AND DAVID CETLINSKI, ASSISTANT EXECUTIVE DIRECTOR

MOTION # 1 – MAY 16, 2016: APPROVAL OF MAY 16, 2016 AGENDA

MOVED BY COMMITTEE MEMBER TYLER – SECONDED BY COMMITTEE MEMBER DIAZ: TO APPROVE TODAY'S **MAY 16, 2016 AGENDA** AS PREPARED AND PRESENTED BY THE COMMITTEE'S RECORDING SECRETARY. THE MOTION PASSED UNANIMOUSLY.

MOTION # 2 – MAY 16, 2016: APPROVAL OF MARCH 14, 2016 MINUTES

MOVED BY COMMITTEE MEMBER DIAZ – SECONDED BY COMMITTEE MEMBER TUCKER: TO APPROVE THE COMMITTEE'S **MARCH 14, 2016 MINUTES** AS RECORDED AND SUBMITTED BY THE COMMITTEE'S RECORDING SECRETARY. THE MOTION PASSED UNANIMOUSLY.

PLANTE MORAN

CHAIRMAN **SMITH** INFORMED THE COMMITTEE THAT PRIOR TO THE COMMENCEMENT OF THIS MEETING, HE, EXECUTIVE DIRECTOR CYNTHIA A. THOMAS AND CHIEF INVESTMENT OFFICER RYAN C. BIGELOW MET WITH PLANTE MORAN REPRESENTATIVES **BETH BIALY** AND **MICHELLE WATTERWORTH** TO DISCUSS COMMUNICATION, RE: COMMUNICATION BETWEEN MANAGEMENT, PLANTE MORAN AND THE SYSTEM'S MANAGERS, NOTING THAT ALL EXPRESSED CONCERNS/ISSUES WERE OR WILL BE RESOLVED.

AUDIT CONTROLS LETTER DISCUSSION

JOHN PEPPERMAN (OF UHY) AND CHIEF INVESTMENT OFFICER **RYAN C. BIGELOW** DISCUSSED PLANTE MORAN'S AUDIT CONTROLS LETTER WITH THE COMMITTEE, FOCUSING ON THE FOLLOWING TOPICS:

BANK OF NEW YORK PRICING

ACTUARIAL REPORTING

MANAGEMENT/SEGREGATION OF DUTIES

FINANCIAL APPLICATIONS

FIRST INDEPENDENCE BANK ACTIVITY

GENERAL LEDGER ACCOUNTS

INVESTMENT OFFICER **MIKE KRUSHENA** ENTERED THE MEETING AT 10:08 A.M.

JOURNAL ENTRIES

TRIAL BALANCE/MONITORING

AUDIT CONTROLS LETTER DISCUSSION - CONTINUED

ACCOUNT RECONCILIATION

TRANSACTION RECORDING

BENEFIT CALCULATIONS

PLANTE MORAN'S AUDITING STANDARDS

EACH TOPIC WAS DISCUSSED IN DETAIL AND ANY RESULTING CONCERNS/ISSUES WERE ADDRESSED AND HAVE BEEN OR WILL BE RESOLVED.

~CONCLUDES AUDIT CONTROLS LETTER DISCUSSION~

WILSHIRE ASSOCIATES

J.M. RUSCETTI AND ASSOCIATE **CALVIN BORN, JR.** DISCUSSED HEDGE FUND INVESTING.

MICHIGAN DEPARTMENT OF TREASURY EXECUTIVE DIRECTOR **RONALD ROSE** ENTERED THE MEETING AT 10:46 A.M.

THE GENTLEMEN ALSO DISCUSSED THE SYSTEM'S EMERGING MANAGER PROGRAM AND RECOMMENDED THAT NORTHPOINTE CAPITAL BE HIRED AS AN EMERGING MANAGER.

MOTION # 3 – MAY 16, 2016: NORTHPOINTE CAPITAL

MOVED BY COMMITTEE MEMBER BOGDAHN – SECONDED BY COMMITTEE MEMBER TYLER: THAT BASED UPON THE RECOMMENDATION OF THE COMMITTEE'S CHIEF INVESTMENT OFFICER AND WILSHIRE ASSOCIATES, THE SYSTEM'S GENERAL INVESTMENT CONSULTANT, NORTHPOINTE CAPITAL BE HIRED AS AN EMERGING MANAGER (MICRO-CAP VALUE STRATEGY), SUBJECT TO THE EXECUTION OF AN INVESTMENT MANAGEMENT AGREEMENT SATISFACTORY TO THE SYSTEM AND THE SYSTEM'S GENERAL COUNSEL, AND ON-SITE DUE DILIGENCE. THE MOTION PASSED UNANIMOUSLY.

WILSHIRE NOTED THAT THIS DECISION BRINGS THE EMERGING MANAGER PROGRAM INTO COMPLIANCE WITH POLICY.

WILSHIRE ASSOCIATES - CONTINUED

MESSRS. RUSCETTI AND BORN ADDRESSED SECURITIES LENDING/INVESTING; AND **MR. BIGELOW** WILL SCHEDULE **SALIENT PARTNERS** TO APPEAR BEFORE THE COMMITTEE TO DISCUSS SAME.

PRIOR TO CONCLUDING THEIR PRESENTATION, THE GENTLEMEN DISCUSSED MANAGER PERFORMANCE AND PROVIDED THE COMMITTEE WITH A CAPITAL MARKETS UPDATE.

~CONCLUDES WILSHIRE'S PRESENTATION~

RECESS

THE COMMITTEE RECESSED FOR LUNCH FROM 12:07 P.M. UNTIL 12:58 P.M.

GLC ADVISORS

ABE HAN APPEARED BEFORE THE COMMITTEE TO DISCUSS A SETTLEMENT PROPOSAL REGARDING THE RIVERS CASINO, SO THE COMMITTEE WAS ASKED TO ENTER INTO CLOSED SESSION.

MOTION #4 – MAY 16, 2016: ENTERING INTO CLOSED SESSION

MOVED BY COMMITTEE MEMBER TROZAK – SECONDED BY COMMITTEE MEMBER BOGDAHN: TO ENTER INTO CLOSED SESSION FOR THE PURPOSE OF DISCUSSING A SETTLEMENT PROPOSAL REGARDING THE RIVERS CASINO. A ROLL CALL VOTE WAS TAKEN, THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE ENTERED INTO CLOSED SESSION AT **1:02 P.M.**

MOTION #5 – MAY 16, 2016: RETURNING TO OPEN SESSION

MOVED BY COMMITTEE MEMBER TYLER – SECONDED BY COMMITTEE MEMBER SORENSEN: THAT THE COMMITTEE RETURN TO OPEN SESSION. THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE RETURNED TO OPEN SESSION AT **1:52 P.M.**

MOTION #6 – MAY 16, 2016: RIVERS CASINO

MOVED BY COMMITTEE MEMBER DIAZ – SECONDED BY COMMITTEE MEMBER TROZAK: THAT THE COMMITTEE APPROVE THE RECOMMENDATION OF GLC ADVISORS, AS DISCUSSED AND

GLC ADVISORS - CONTINUED

MOTION #6 - MAY 16, 2016: RIVERS CASINO - CONTINUED

RECOMMENDED IN CLOSED SESSION. THE MOTION PASSED UNANIMOUSLY.

~CONCLUDES GLC'S PRESENTATION~

CHIEF INVESTMENT OFFICER'S REPORT

CHIEF INVESTMENT OFFICER **RYAN C. BIGELOW** INFORMED THE COMMITTEE THAT CEM'S BENCHMARKING STUDY SHOULD BE AVAILABLE AT MONTH'S END.

HE ALSO INFORMED THE COMMITTEE THAT A JOINT MEETING OF THE POLICE AND FIRE AND GENERAL INVESTMENT COMMITTEES IS SCHEDULED FOR OCTOBER 17, 2016 TO DISCUSS TOPICS SUCH AS THE SYSTEMS' FUNDING POLICIES AND ACTUARIAL ASSUMPTIONS AND ASKED FOR THE COMMITTEE'S INPUT. CHAIRMAN **SMITH** ASKED THAT GOVERNANCE, PERSONNEL SHARING AND COMMITTEE DIFFERENCES BE DISCUSSED AT THAT MEETING AS WELL.

~CONCLUDES CHIEF INVESTMENT OFFICER'S REPORT~

LEGAL REPORT

GENERAL COUNSEL **RONALD A. KING** ASKED THAT HIS REPORT BE DISCUSSED IN CLOSED SESSION.

MOTION #7 - MAY 16, 2016: ENTERING INTO CLOSED SESSION

MOVED BY COMMITTEE MEMBER TROZAK - SECONDED BY COMMITTEE MEMBER TUCKER: TO ENTER INTO CLOSED SESSION FOR THE PURPOSE OF DISCUSSING EXISTING LITIGATION AS WELL AS LEGAL AND PERSONNEL ISSUES. A ROLL CALL VOTE WAS TAKEN, THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE ENTERED INTO CLOSED SESSION AT **2:08 P.M.**

MOTION #8 – MAY 16, 2016: RETURNING TO OPEN SESSION

MOVED BY COMMITTEE MEMBER DIAZ – SECONDED BY COMMITTEE MEMBER TUCKER: THAT THE COMMITTEE RETURN TO OPEN SESSION. THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE RETURNED TO OPEN SESSION AT **3:30 P.M.**

ADJOURNMENT

THERE BEING NO FURTHER BUSINESS BEFORE THE INVESTMENT COMMITTEE, CHAIRMAN **SMITH** ADJOURNED THE MEETING AT **3:30 P.M.** UNTIL **MONDAY, JULY 11, 2016**, AT **10:00 A.M.**, IN THE CONFERENCE ROOM OF THE RETIREMENT SYSTEMS, 500 WOODWARD AVENUE, SUITE 3000, DETROIT, MICHIGAN 48226.

RESPECTFULLY SUBMITTED,

Cynthia A Thomas

EXECUTIVE DIRECTOR

MINUTES PREPARED BY: JANET S. LENEAR, RECORDING SECRETARY

MINUTES REVIEWED BY: RYAN C. BIGELOW, CHIEF INVESTMENT OFFICER

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